

# HAWAI'I STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

<b>ADMINISTRATIVE APPLICATION - CERTIFICATE OF NE</b>	ED PROGRAM
Application Number: #13-05A Date  To be assigned by Agency	of Receipt:
APPLICANT PRO	FILE
Project Title: Hospital Renovation and Emergency Departm	ent Expansion
Project Address: 640 Ulukahiki Street, Kailua, Hawaii 967	
Applicant Facility/Organization: Castle Medical Center	
Name of CEO or equivalent: Kathryn Raethel	
Title:President/Chief Executive Officer	
Address: 640 Ulukahiki Street, Kailua, Hawaii 96734	
Phone Number: (808) 263-5142 Fax Number:	
Contact Person for this Application:Kathryn Raethel	
Title: President/Chief Executive Officer	
Address:640 Ulukahiki Street, Kailua, Hawaii 96734	
Phone Number: (808) 263-5142 Fax Number	
CERTIFICATION BY APP	2
I hereby attest that I reviewed the application and have known contained herein. I declare that the project described an documentation included is true and correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the best of my known included in the correct to the correc	d each statement amount and supporting
Wendi (July 3/. Signature Date	27/2013
Signature Date	
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Certificate of Need Administrative Application July 2009 1554706.V1

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1.	TYPE OF ORGANIZATION: (Please check all applicable)	
	Public Private X Non-profit X For-profit Individual Corporation X Partnership Limited Liability Corporation (LLC) Limited Liability Partnership (LLP) Other:	
2.	PROJECT LOCATION INFORMATION	
	A. Primary Service Area(s) of Project: (please check all applicable)	
	Statewide:  O`ahu-wide:  Honolulu:  Windward O`ahu:  West O`ahu:  Maui County:  Kaua`i County:  Hawai`i County:	
3.	DOCUMENTATION (Please attach the following to your application form):	
	A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement letter of intent)	nt,
	The entire project described in this application will be completed within the existing hospital building, which is already owned by Castle Medical Center.	ne
	B. A listing of all other permits or approvals from other government bodies (federa state, county) that will be required before this proposal can be implemented (such as building permit, land use permit, etc.)	
	Building Permit from City & County of Honolulu  Medicare Survey and Certification	
	C. Your governing body: list by names, titles and address/phone numbers	
	See Attachment 1	
	<ul> <li>D. If you have filed a Certificate of Need Application this current calendar year, you may skip the four items listed below. All others, please provide the following:</li> <li>Articles of Incorporation: See Attachment 2</li> <li>By-Laws: See Attachment 3</li> <li>Partnership Agreements: Not applicable</li> <li>Tax Key Number (project's location): 1-4-2-6-4</li> </ul>	ЭU

4.	TYPE OF PROJECT.	This section helps our reviewers understand what type of
	project you are proposing	. Please place an "x" in the appropriate box.

	Used Medical Equipment (over \$400,000)	New/Upgraded Medical Equip. (over \$1 million)	Other Capital Project (over \$4 million)	Change in Service	Change in Beds
Inpatient Facility			Х		
Outpatient Facility					
Private Practice					

5. **BED CHANGES.** Please complete this chart only if your project deals with a change in your bed count and/or licensed types. Again, this chart is intended to help our reviewers understand at a glance what your project would like to accomplish. Under the heading "Type of Bed," please use only the categories listed in the certificate of need rules.

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
TOTAL			

## 6. PROJECT COSTS AND SOURCES OF FUNDS

A. List	All Project Costs:	AMOUNT:
1.	Land Acquisition	
2.	Construction Contract	\$23,373,000
3.	Fixed Equipment	1,600,000
4.	Movable Equipment	3,500,000
5.	Financing Costs	-
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	
7.	Other:	
	TOTAL PROJECT COST:	<u>\$28,473,000</u>
B. Sou	TOTAL PROJECT COST:	<u>\$28,473,000</u>
B. Sou		\$28,473,000 \$28,473,000
	rce of Funds	
1.	rce of Funds Cash	
1. 2.	Cash State Appropriations	
1. 2. 3.	Cash State Appropriations Other Grants	
1. 2. 3. 4.	Cash State Appropriations Other Grants Fund Drive	\$28,473,000 \$28,473,000

TOTAL SOURCE OF FUNDS: \$28,473,000

7.	CHANGE OF SERVICE: If you are proposing a change in service, then please
	briefly list what services will be added/modified. Be sure to include the establishment
	of a new service or the addition of a new location of an existing service. Please
	reference the Certificate of Need Rules Section 11-186-5 for the categories of
	services. If you are unable to determine which category best describes your project, please consult with agency staff.

Not applicable. Castle Medical already has certificates of need for the services subject to renovation.

- 8. **IMPLEMENTATION SCHEDULE:** Please present a projected time schedule for the completion of this project from start to finish. Include all of the following items that are applicable to your project:
  - a) Date of site control for the proposed project: Not applicable; the site is already owned by Castle Medical Center
  - b) Dates by which other government approvals/permits will be applied for and received:

Applied for: April 2013 Received: June 2013

- c) Dates by which financing is assured for the project: Not applicable.
- d) Date construction will commence: July 2013
- e) Length of construction period: 1 year
- f) Date of completion of the project: June 2014
- g) Date of commencement of operation: July 2014

Please remember that the Agency does monitor the implementation of Certificates approved. Non-implementation of a project as described in your application may result in a fine and/or withdrawal of the certificate of need.

- 9. **EXECUTIVE SUMMARY:** Please present a brief summary of your project. In addition, provide a description of how your project meets each of the certificate of need criteria listed below. If a new location is proposed, please attach an easy to read map that shows your project site.
  - a) Relationship to the State of Hawai'i Health Services and Facilities Plan.
  - b) Need and Accessibility
  - c) Quality of Service/Care
  - d) Cost and Finances (include revenue/cost projections for the first and third year of operation)
  - e) Relationship to the existing health care system
  - f) Availability of Resources.

#### **EXECUTIVE SUMMARY**

Castle Medical Center ("CMC") seeks approval to renovate and upgrade its existing hospital building, located at 640 Ulukahiki Street, Kailua, Hawaii.

Castle is the anchor hospital service provider for Windward Oahu, with a service area extending from Waimanalo to Kewalo Bay on the North Shore. A map of CMC's primary service area is included in Attachment 4. The hospital first opened its doors in 1963, and while it has been expanded from time-to-time to address the needs of the growing Windward community, much of the hospital building's original infrastructure is still in place. The renovation project will update existing HVAC and electrical systems to bring them into compliance with modern standards for safety and energy efficiency.

The Obstetrics ("OB") Department, Behavioral Health Department, Intensive Care Unit, Cardiac Catheterization Laboratory, Imaging and Admitting Departments will be completely remodeled. As part of the upgrade of the Imaging Department, the outpatient portion of the unit will be moved closer to the front of the hospital to make it more easily accessible to patients.

Finally, CMC will remodel and expand its Emergency Department ("ED"). The number of ED beds will increase from 18 to 26. The remodeled ED will feature a new behavioral health assessment area, which will provide better security for behavioral health beds. While the footprint of the ED will increase, the larger ED will be accommodated within the existing walls of the hospital.

a) Relationship to the State of Hawai'i Health Services and Facilities Plan.

The HSFP does not include any threshold level for the addition of ED services. However, the renovation of the ED will advance the following priorities of the Statewide Health Coordinating Council ("SHCC"):

· Establish a statewide emergency and trauma system

CMC's ED plays a vital role in the state's emergency and trauma system as the primary provider of emergency and trauma care in Windward Oahu. The number of ED patients has increased by nearly 20% over the past four years. In 2012, CMC treated

33,161 emergency patients. In addition to increasing the number of ED beds available at CMC, the renovation will also improve ED services for behavioral health patients by providing a dedicated behavioral health assessment area and increased security for individuals suffering from a mental health emergency.

Ensure capacity and access to primary care services

Although once a source of care for primarily major injuries and life-threatening medical conditions, over the last several decades, hospital emergency rooms have increasingly become a source of primary care — especially to the medically underserved. As early as 1978, public health researchers observed that low-income and uninsured or underinsured individuals used hospital emergency rooms "as substitutes for the family doctors they did not have." A more recent study by members of the faculties of the University of Colorado School of Medicine and Oregon Health and Science University, concluded that, although the Patient Protection and Affordable Care Act ("PPACA") will reduce financial barriers to care through expansion of the Medicaid program, in light of widespread shortages of primary care physicians, increasing non-financial barriers to access may force many new Medicaid enrollees to seek primary care from hospital emergency rooms.<sup>2</sup>

These findings are particularly pertinent in Hawaii, where the December 2012 Report on Findings from the Hawai`i Physician Workforce Assessment Project concluded that, in spite of demand for an estimated 278 Family and General Practice Physicians, only 176 such physicians are now available on Oahu.<sup>3</sup> The Kaiser Family Foundation estimates that there are now approximately 82,000 uninsured adults in Hawaii, almost 60% of whom will be eligible for Medicaid coverage under the PPACA Medicaid program expansion.<sup>4</sup> The addition of these individuals to Oahu's insured population will add to the stress already placed on hospital emergency rooms to provide primary care to individuals who do not have a primary care physician. CMC's increased ED capacity will make an important contribution toward ensuring equitable access to primary care services on Oahu.

Increase and improve access to mental health programs, services and education

CMC's ED expansion will also improve the services the hospital already offers to behavioral health patients by adding a dedicated behavioral health assessment area in the ED, which will provide more secure behavioral health beds and improve safety for both mental health patients and other individuals in the ED.

<sup>&</sup>lt;sup>1</sup> Davidson, S., *Understanding the Growth of Emergency Department Utilization*, MED. CARE, 16:122-131 (1978).

<sup>&</sup>lt;sup>2</sup> Cheung, P.; Wiler, J.; Lowe, R.; & Ginde, A., *National Study of Barrier to Timely Primary Care and Emergency Department Utilization Among Medicaid Beneficiaries*, ANNALS OF EMERGENCY MED., (March 2012).

University of Hawai'ı System Report, Report to the 2013 Legislature on Findings from the Hawaii Physician Workforce Assessment Project, at 16.

<sup>&</sup>lt;sup>4</sup> KAISER COMMISSION ON KEY FACTS, MEDICAID AND THE UNINSURED, AT 6 (JULY 2012). (This publication (#8338) is available on the Kaiser Family Foundation's website at www.kff.org.)

Finally, this project will promote the Windward Oahu Subarea Council's priority of ensuring adequate access to facilities of care by providing additional emergency room capacity that is needed to meet the Windward community's increasing needs for emergency care.

### b) Need and Accessibility

Table 1, below, shows the growth in the number of visits to CMC's ED from 2008 through 2012.

Year	2008	2009	2010	2011	2012
Number of ED visits	27,751	29,761	29,198	31,194	33,161

Table 1. Number of Visits to CMC's ED per Year

Over the past five years, CMC has experienced increased growth of 20% in the number of visits to its ED. Statistics compiled by the City & County of Honolulu Department of Permitting and Planning ("DPP") show that the resident population of CMC's Primary Service Area ("PSA"), the District Planning Areas of Koolaupoko and Koolauloa, was 128,365 persons in 2010, and is expected to increase to 131,017 by 2020. Equally important to the demand for emergency room services is the anticipated increase in visitor accommodations in the PSA, which DPP projects will more than double from 654 units in 2010 to 1323 units in 2020. CMC's ED will need the additional planned capacity to meet the needs of the growing number of residents of and visitors.

Renovation of the other hospital service areas will bring the hospital up to contemporary standards, replace outdated electrical and air conditioning systems, and facilitate more efficient and effective provision of patient care.

Although the majority of CMC's patients reside in the PSA, CMC makes its services available to all Oahu residents, including low-income individuals, racial and ethnic minorities, individuals with disabilities, the elderly and other underserved groups.

CMC's ED is easily accessible and has a dedicated entry for patients arriving by ambulance. The hospital provides ample free, handicapped-accessible parking on the same level as the hospital's main entrance.

### c) Quality of Service/Care

CMC has been nationally recognized for the excellence of the care it provides. This has translated to high patient satisfaction that has exceeded Hawaii's average for reported patient satisfaction. CMC's ED is staffed by licensed physicians, nurses and allied health professionals, who provide patient care in accordance with the hospital's written protocols, policies and procedures. Additionally, CMC's Medical Staff includes board certified specialists, who enhance the quality of care provided to CMC's ED patients by providing on-call coverage as needed to respond to complex medical emergencies.

All CMC Medical Staff members are credentialed in accordance with CMC's Medical Staff Bylaws and Rules and Regulations. CMC conducts regular performance reviews of employees which, among other purposes, are used to identify strengths, discover areas for improvement and document professional performance. The hospital conducts regular in-service training to assist its personnel in maintaining and improving their clinical skills. CMC seeks to continually assess and improve the quality of care given to its patients through the methods outlined in its written performance improvement and risk management Plan.

CMC complies with state and federal regulations for the delivery of care and the maintenance of the clinical environment. CMC is accredited by The Joint Commission, licensed by the State of Hawaii Department of Health and Medicare certified, and will continue to operate in the tradition of its mission to provide the highest quality of care.

d) Cost and Finances (include revenue/cost projections for the first and third year of operation)

The total cost for portions of the renovation project requiring a certificate of need ("CON") is estimated at \$28,473,000, which includes \$23,737,000 for construction costs and \$5,100,000 for new equipment. CMC is owned and operated by Adventist Health, which has already approved funding for the renovation project from cash reserves. The renovation will take place totally within the footprint of the existing hospital building, and the site is owned by CMC.

First and third year revenue and cost projections for the first and third year of operations for the new ED are shown in Table 2, below.

	Projected 1st Full	Projected 3rd Full
	Year Operations	Year Operations
Total Operating Revenue	\$20,068,440	\$19,757,020
Operating Expenses		
Salaries, Wages, Benefits	\$9,640,584	\$10,128,348
Other Expenses	3,705,590	3,824,997
Depreciation	1,141,217	1,156,217
Total Expenses	\$14,487,391	\$15,109,562
Net Income (Loss) from Operations	\$5,581,049	\$4,647,458
Add Back: Depreciation	\$1,141,217	\$1,156,217
Excess (Deficit) Fund from Operations	\$6,722,266	\$5,803,675

Table 2. First and Third Year Revenue and Cost Projections for Renovated ED

The renovation project is expected to have minimal impact on operating expenses or revenues for other hospital departments.

e) Relationship to the existing health care system

This renovation is needed to maintain the high quality of service expected by CMC patients and bring the hospital building into conformity with contemporary safety and efficiency standards. The expanded ED and additional LDRP beds are needed to



meet demands from the residents of CMC's PSA for health care services, as well as projected demand for additional primary care services which is expected to result from improved insurance coverage resulting from the PPACA.

The renovation will strengthen Oahu's emergency response system and provided better services for CMC's behavioral health patients. Because the renovation and expansion is intended to serve patients within CMC's existing service area, which is too distant from other emergency facilities to be served effectively by them, the project is expected to have little, if any, impact on other providers.

## f) Availability of Resources.

There are no financial obstacles to the project. Adventist Health has already approved funding for the renovation from cash reserves. The site of the hospital building is already owned by CMC.

CMC expects staffing for the expanded ED to come primarily from its existing employee pool. It is confident that it can recruit any additional personnel needed through inquiries and interviews with persons in the community with requisite training and experience.

10.	Eligibility to file for Administrative Review. This project is eligible to file for Administrative review because: (Check all applicable)		
		It involves bed changes, which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.	
		It involves service changes which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.	
		It is an acquisition of a health care facility or service, which will result in lower annual operating expenses for that facility, or service.	
	***************************************	It is a change of ownership, where the change is from one entity to another substantially related entity.	
		It is an additional location of an existing service or facility.	
	X	The applicant believes it will not have a significant impact on the health care system.	